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November 28, 2023

SENT VIA EMAIL, RESS e-filing

Nancy Marconi, Registrar
Ontario Energy Board
27-2300 Yonge Street
Toronto ON M4P 1E4

Dear Ms. Marconi,

**RE: EPCOR Natural Gas Limited Partnership ("EPCOR")
Brockton Expansion - Leave to Construct Application
EB-2022-0246
Technical Conference Undertakings & Transcript Clarification**

Pursuant to the OEB's Procedural Order No. 2, please find enclosed responses to the OEB Staff and Intervenor undertakings arising from the Technical Conference on November 14, 2023. We note that EPCOR's response to Undertaking JT1.9 is not included in this submission as the utility requires additional time to finalize its response no later than December 5, 2023 as approved in Procedural Order 3.

In addition, EPCOR wishes to clarify two responses arising from the Technical Conference:

- On page 82, line 1 of the transcript of the Technical Conference, further to discussions regarding whether EPCOR had considered using its project contingency to manage excess soil variance costs, OEB Staff asked EPCOR whether EPCOR's design and investment framework for estimating engineering work accounted for changes in legislative requirements. OEB Staff asked why changes in legislation were not included in the Brockton project contingency. Mr. Mohan (EPCOR witness) on page 82, lines 19-21 stated that *"...to a certain point, the legislative component would be part of the contingency itself."*
 - EPCOR wishes to clarify that when it establishes a project contingency, it does not cover changes in law as such changes and their financial impacts are difficult to predict and have the potential to materially drive up forecast project costs if they are incorporated into the contingency amount.
 - In addition, EPCOR also notes that it is currently at the 30% design stage with the preliminary design completed and other aspects of the project such as the detailed surveying, geotechnical analysis, and detailed alignment design just being initiated. At this stage, adjusting the contingency to account for excess soil management costs would not be in alignment with prudent engineering principles. Typically, when a significant project expense is identified at the 30% design stage, that cost is added to the overall project cost and the 15% contingency on estimated project costs is

maintained. Once the design is progressed to 90% or near issued for construction level, the contingency is reviewed and reduced where applicable. As EPCOR is currently only at a 30% design stage, it has taken the prudent step of increasing the project budget as opposed to relying on the project contingency to cover excess soil management expenses.

- On page 45, lines 8-10 of the transcript of the Technical Conference, Mr. Brandell (EPCOR witness) stated that the timing impacts of a separate rates hearing for Brockton customers would mean that EPCOR's *"...construction would be pushed – much of our construction would be pushed into 2024, which is going to drive up the costs."*
 - EPCOR wishes to clarify that the outcome of a separate rates hearing would mean that much of EPCOR's planned construction for 2024 would be pushed into 2025 which would materially drive up costs and would make the project uneconomical.

In submitting these revisions, EPCOR relies on the interpretation rules set out in section 2 of the OEB's *Rules of Practice and Procedure*, which collectively aim to ensure a just and efficient outcome on the merits.

Please feel free to contact me if you have any questions regarding this matter.

Sincerely,

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EPCOR Natural Gas Limited Partnership
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cc: OEB Case Manager and Intervenors

Encl.

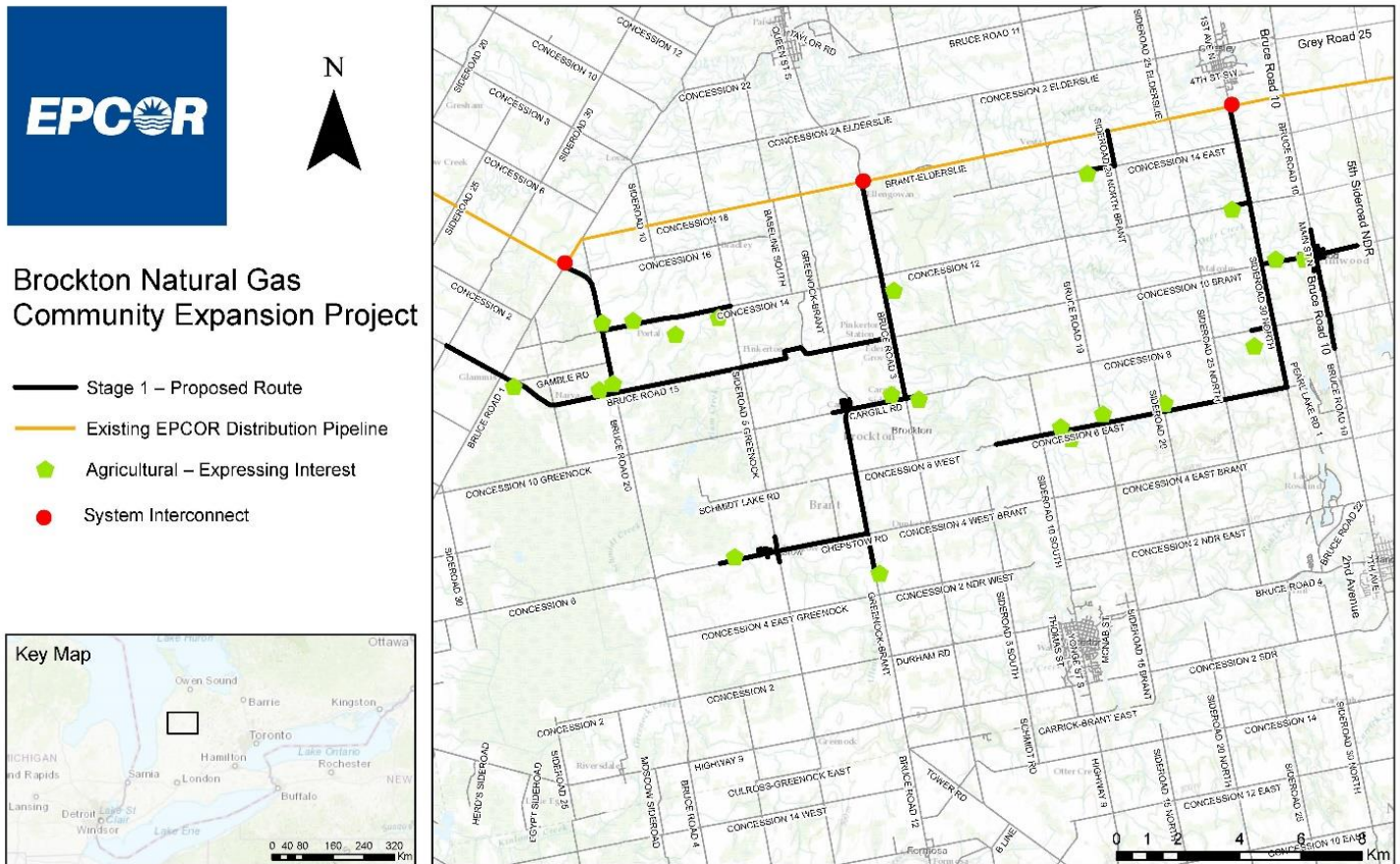
EPCOR Natural Gas Limited Partnership

Brockton Natural Gas Expansion – EB-2022-0246

November 14, 2023 Technical Conference - Undertakings

UNDERTAKING JT1.1: TO REPRODUCE MAP SHOWING FARMS THAT HAVE EXPRESSED INTEREST IN CONNECTING TO THE SYSTEM.

EPCOR Response: The green dots in the map provided below identify prospective agricultural customers along Stage 1 of the network who have expressed interest in receiving natural gas service. These identified locations expressed interest to EPCOR in one of three ways, including: (i) via a Letter of Support during NGEF funding application stage, (ii) during an open house in held in 2022/2023, or (ii) by direct contact with an EPCOR representative when visiting the property to deliver information related to the project.



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UNDERTAKING JT1.2: EPCOR TO PROVIDE FURTHER DETAIL FOR THE CHART IN IR 3.0-ED-6C TO INCLUDE ACTUAL VALUES FOR RESIDENTIAL CUSTOMERS, GAS DISTRIBUTION CHARGES, FIXED CHARGES.

EPCOR Response:

Market Developments Since Customer Attachment Survey Was Conducted		
	When attachment survey was conducted (EB-2019-0264)	Current status (EB-2023-0270)
Gas commodity charges (\$/m ³)	11.5114 ¢ per m ³	16.3574 ¢ per m ³
Gas distribution charges (variable, \$/m ³)	First 100 m ³ per month: 27.1967 ¢ per m ³ Next 400 m ³ per month: 26.6610 ¢ per m ³ Over 500 m ³ per month: 25.8735 ¢ per m ³	First 100 m ³ per month: 28.7200 ¢ per m ³ Next 400 m ³ per month: 28.1542 ¢ per m ³ Over 500 m ³ per month: 27.3226 ¢ per m ³
Gas distribution charges (fixed charges, on an annual basis)	\$304.56 annually (\$25.38 monthly)	\$322.44 annually (\$26.87 monthly)
EPCOR infill customer connection charges policy	\$30.00 per meter beyond 30M	\$37.59 per meter beyond 30M
Annual costs to heat with gas (commodity and distribution)	\$1,197	\$1,314 ¹

¹ Application, Exhibit B - Table 1: Cost Comparison of Alternative Energy Sources

UNDERTAKING JT1.3: TO RECONCILE THE \$16 MILLION AND THE \$20 MILLION IN ED-35 PARTS A AND B.

EPCOR Response:

The following Table reconciles the \$16M and \$20M in 3.0-ED-35, (a) and (b):

O&M and Overheads	\$ (8,728)
Total Taxes Net of CCA	\$ (4,720)
Depreciation (Net)	\$ (2,563)
Cost of Capital	\$ (4,529)
Reconciliation	\$ (95)
Total	\$ (20,635)

EPCOR notes that 3.0-ED-35 references Exhibit E, Tab 1, Schedule 1 of the Application. That reference includes details regarding the Project economics as determined using calculations based on EBO 188. As EBO 188 is a cash flow based calculation using uninflated values, IRs 9(a) and (b) will not be the same figure as all capital costs are represented as negative cash flow in the initial 10-year period, whereas the revenue necessary to finance that capital is collected over a much longer period of time. As a result, using EBO 188 based calculations, there are no outstanding capital costs in the final 30 years of this project.

With this in mind, in order to address the undertaking, EPCOR has reconciled (a) with (b) by incorporating accounting values for depreciation and cost of capital into the total costs that will have to be covered by the revenue collected over the final 30 years of the Project.

Therefore, as per the above preamble, the O&M, Overheads and Total Taxes (Net) of CCA values are consistent with the information presented based on the EBO 188 DCF calculations. The depreciation and cost of capital values have been calculated in a manner that is consistent with the capital costs as detailed in Exhibit E, Tab 1, Schedule 1, but are not a component of the EBO 188 calculations. The total of these values equal \$20,540,000, which is \$95,000 lower (over the 30-year period) than the \$20,634,719 of revenue as a result of converting from an accounting calculation to a cash flow calculation. This \$95,000 is inserted and labeled as reconciliation.

The value for depreciation has been updated from the \$2,841,000 as included in the Application to \$2,563,000 in order to correct for an error in calculating the original value.

UNDERTAKING JT1.4: EPCOR TO MAKE BEST EFFORTS TO ASK INNOVATIVE RESEARCH GROUP TO PROVIDE BACKGROUND INFORMATION ON THE SURVEY.

EPCOR Response:

Attached as Appendix A to this response is a copy of the survey questionnaire used by Innovative Research Group, when surveying respondents in the Municipality of Brockton.

Additionally, attached as Appendix B to this response is a demographic analysis showing a breakdown of responses to survey questions provided on a percentage basis and which also includes a tally of responses received under each demographic category.

UNDERTAKING JT1.5: EPCOR TO PROVIDE INFORMATION ON THE SOURCE FOR CONVERSION COST FIGURES PROVIDED TO CUSTOMERS IN THE INNOVATIVE RESEARCH GROUP SURVEY.

EPCOR Response: The conversion figures provided to the respondents in the Innovative Research Groups survey in January 2020 were based on discussions with HVAC contractors and other industry parties. EPCOR collected the information and summarized the conversion cost to provide a conversion value to respondents during the telephone survey. Below are the values used in the survey for conversion to natural gas:

	Innovative Research Group's – 2020 Survey Upfront Cost	November 2023 – Price validation
Installation of new natural gas furnace	\$4,000 to \$5,000	\$3,800 to \$9,000
Installation of new furnace and new ducting	\$10,000 to \$16,000	\$12,000 to \$25,000
Natural gas conversion kits for furnace	\$750 to \$1,500	\$300 to \$1,000
New natural gas boiler for radiant heat	\$4,000 to \$5,000	\$10,000 to \$18,000
Conversion kits for propane boilers to natural gas	\$750 to \$1,500	\$300 to \$1,000

Additionally, in preparing the response to this undertaking, EPCOR reached out to HVAC vendors who provide conversion services in the region. The table above shows current estimated pricing for the same conversions, which were discussed with residents in 2020. You will find that pricing has increased since the survey in 2020 compared to today, however the lower range for all conversions still falls within the 2020 survey information, with the exception of a new natural gas boiler installation, which is not uncommon due to inflation during the COVID-19 pandemic.

This clearly shows that the survey conversion rates as provided in the survey remain relevant and still reflect the current to convert to natural gas.

UNDERTAKING JT1.6: EPCOR TO PROVIDE ACTUAL CONNECTION COSTS FOR THE 10 MOST RECENT HOUSES EPCOR HAS CONNECTED TO THE SYSTEM.

EPCOR Response:

The table below lists the actual connection costs of 10 recent residential homes EPCOR has connected.

Property No.	Location	Date Installed	Total Connection Cost
1	Lucknow	October 26, 2023	\$4,932.37
2	Lucknow	October 25, 2023	\$5,253.82
3	Lucknow	October 25, 2023	\$5,253.82
4	Lucknow	October 24, 2023	\$5,253.82
5	Lucknow	October 24, 2023	\$5,253.82
6	Kincardine	October 24, 2023	\$5,253.82
7	Kincardine	October 23, 2023	\$5,253.82
8	Lucknow	October 23, 2023	\$5,412.94
9	Lucknow	October 23, 2023	\$5,253.82
10	Kincardine	October 23, 2023	\$5,253.82

UNDERTAKING JT1.7: EPCOR TO PROVIDE A SUMMARY OF FEEDBACK RECEIVED FROM ITS OPEN HOUSE IN OCTOBER 2023.

EPCOR Response: The open house for Brockton was held on Wednesday, October 18, 2023 at the Village of Cargill, which is located 14 km North West of the town of Walkerton. The open house was advertised in the Brockton Newspaper on October 11, 2023, which provided EPCOR's webpage information, where residents can access relevant information about the Brockton project. A copy of the advertisement is below:



EPCOR OPEN HOUSE: NATURAL GAS SERVICE IN BROCKTON

EPCOR is working to bring natural gas service to Brockton, West Grey and Chatsworth, and expanding natural gas service in Arran-Elderslie and Kincardine.

If approved, this project will connect customers by installing approximately 107 km of natural gas distribution pipeline in two stages. Construction of Stage 1 will happen in 2024, pending approval from the Ontario Energy Board (OEB) before February 2024.

Join us for an open house to learn more about the project and how you can sign up for natural gas service when it becomes available.

IN-PERSON OPEN HOUSE

**Wednesday, October 18, 2023
4:00 p.m. to 7:00 p.m.
Cargill Community Centre
999 Greenock-Brant Line, RR 1, Cargill ON**

For more information please visit:
www.EPCOR.com/BrocktonNG

If you have any questions or comments,
please contact BrocktonNG@epcor.com

The main intent for the open house was to inform residents about the new staged approach in accordance with the Leave to Construct Application, where EPCOR plans on building 84 km of natural gas pipeline for stage 1 in 2024. At the open house, EPCOR provided the attendees with handouts with FAQs about the Brockton project, as follows:



NATURAL GAS SERVICE IN BROCKTON

WHAT IS HAPPENING?

EPCOR is working to bring natural gas service to Brockton, West Grey and Chatsworth, and expanding natural gas service in Arran-Elderslie and Kincardine.

If approved, this project will connect customers by installing approximately 107 km of natural gas distribution pipeline in two stages. Construction of Stage 1 will happen in 2024, pending approval from the Ontario Energy Board (OEB) before February 2024.

If you live in an area to be served by Stage 1, you can sign up today to be contacted for connection as soon as approval is received. Please email us at BrocktonNG@epcor.com with the following information

- Name
- Address
- Phone number
- Preferred email

If the Province announces a third phase of the Natural Gas Expansion Program, EPCOR plans to submit a proposal to construct Stage 2 of this project.



What are the next steps?

We submitted our application for approval to build Stage 1 to the OEB in June 2023. Pending OEB approval, we anticipate starting construction in Spring 2024, followed by customer connections. We will update residents as we near the start of construction.

How do I sign up for natural gas service?

- If you live in the area served by Stage 1, and you are interested in signing up for natural gas service, please send your name, address, phone number, and preferred email to BrocktonNG@epcor.com
- When we are ready to connect people, we will follow up with you to start the process.

Why Use Natural Gas?

Natural gas is a safe, reliable energy source regulated by the Ontario Energy Board. It is cleaner than heating oil and propane and can be more cost effective than other energy sources.

When considering natural gas service, you should also know:

- Connecting to the natural gas distribution system is free as long as the natural gas meter that EPCOR installs is 30 metres or less from your property line. Customers who need more than 30 metres of line to connect will be provided with an estimate for the additional line cost.
- The costs to convert appliances to natural gas can vary. We recommend speaking with one of our preferred HVAC contractors to get quotes specific to your home. Visit www.epcor.com/hvacProviders to find a list of HVAC contractors in your area.
- Natural gas rates are regulated and set by the Ontario Energy Board (OEB).

CALCULATE YOUR SAVINGS

We encourage you to use our savings calculator to learn about potential savings for your home or business.



[Try our savings calculator!](#)

What is the source of natural gas for this project?

This project will connect to the existing Southern Bruce main line, which is connected to the Ontario system at Dornoch. Natural gas in the Ontario system comes from a variety of sources.

Is natural gas safe?

Natural gas is a safe and reliable energy source. The distribution system will meet all safety standards.

What are the GHG emissions of natural gas?

According to the Canadian Gas Association, natural gas emits lower levels of greenhouse gases and air pollution than other fuel sources such as heating oil and propane.

FIND OUT MORE

Get Updates
visit: epcor.com/BrocktonNG

CONTACT US

Sign up for Updates
email: BrocktonNG@epcor.com



EPCOR also had the following map available on display and had additional information available for residents.



Overall, there were approximately 50 attendees representing 30 homes, out of which 27 prospective residential customers provided EPCOR with their contact information for project notification once the Leave to Construct Application is granted by OEB.

In general, there was a lot of excitement expressed by the attendees to see the project bringing natural gas into their communities. The majority of the questions posed by the attendees regarded when EPCOR expected to have the natural gas line installed in their communities and what would be the expected savings. There were no negative comments expressed by the attendees.

UNDERTAKING JT1.8: EPCOR TO PROVIDE THE PERCENTAGE RATE BASE AMOUNT AT REBASING FOR SOUTH BRUCE AND FOR BROCKTON.

EPCOR Response:

For the purposes of this estimation, there are three separate components:

1. The agreed upon Southern Bruce rate base: \$54.940M²
2. EPCOR's capital expenditures associated with expansion of the system beyond that identified in the CIP³ are estimated to be \$14.644M⁴
3. The Brockton rate base is projected to be \$3.93M net of the NGEP funding.

Based on these three inputs, the resulting percentage allocations would be:

Category	Amount (M's)
Southern Bruce CIP	\$54.940
Southern Bruce Out of CIP Scope	\$14.644
Brockton LTC	<u>\$3.930</u>
Total	\$73.514

% Southern Bruce	95%
% Brockton	5%

² EB-2018-0264 Exhibit 2, Tab 1, Schedule 1, section 2.1

³ EB-2018-0264 Settlement Proposal – dec_order_po6_EPCOR_SB_20191003, Page 6

⁴ EPCOR_IRR_SEC-8_20221205 Tab "2022-0228"

UNDERTAKING JT1.9: EPCOR TO PROVIDE ITS VIEWS ON A RATE FRAMEWORK FOR BROCKTON THAT CONTINUES THE IRM FRAMEWORK THAT IS APPLIED TO SOUTH BRUCE POST-2029 UNTIL THE RATE STABILITY PERIOD ENDS FOR BROCKTON IN 2034; TO PROVIDE EPCOR'S VIEWS ON HOW THAT WOULD WORK AND WHAT ASPECTS OF THE CURRENT SOUTH BRUCE IR FRAMEWORK WOULD BE APPLICABLE.

EPCOR Response: To be submitted by December 5, 2023.

UNDERTAKING JT1.10: EPCOR TO EXPLAIN THE CALCULATION OF THE EXCESS SOIL REVENUES.

EPCOR Response:

EPCOR is calculating the revenue of the ESVA by taking the capital costs incurred in complying with the *On-Site and Excess Soil Management Regulation, O. Reg. 406/19* and determining the cost of capital associated with carrying the depreciated value of those capital costs. Below is an example of the calculations for the first 11 operating years of the Project.

ESVA Forecast Account Revenue Requirements 2024 - 2034

(\$000)

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Cost of ST Debt	0	1	1	1	1	1	1	1	1	1	1
Cost of LT Debt	8	15	15	14	14	14	13	13	13	12	12
Return on Equity	9	17	17	16	16	16	15	15	14	14	14
Deemed Taxes on ROE	<u>3</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>
Total	\$20	\$40	\$39	\$38	\$37	\$36	\$35	\$34	\$33	\$32	\$31

The cost of capital incorporates the approved financing structure including short term and long term debt as well as pretax return on equity (including deemed taxes) values as approved by the OEB.

UNDERTAKING JT1.11: EPCOR TO EXPLAIN THE CALCULATION OF AVERAGE CONSUMPTION FOR RATE 1 CUSTOMER TYPES FOR FORECASTED BROCKTON CUSTOMERS.

EPCOR Response:

The forecast of customer connections for Rate 1 includes 373 Residential Customers, 14 Small Commercial Customers and 19 Small Agricultural Customers. The average annual consumption for Residential Customers is 1,450m³. The average annual consumption for Small Commercial Customers is 4,693m³ and 5,396m³ for Small Agriculture Customers (including agriculture customers with annual consumption of less than 10,000m³) in 2033.

EPCOR proposes to include only Residential Customers in the BCVVA. Small Commercial and Small Agricultural Customers are not included for similar reasons that EPCOR is not proposing to include Rate 6 or Rate 11 customers in a Southern Bruce CVVA . A small pool of customers (33 in total versus 373 Residential) and material differences in forecast annual volume between them (Small Commercial at 4,693m³ and Small Agricultural at 5,396m³ and Residential at 1,450m³) means that any material variances in Commercial or Agricultural Customers' annual usage could materially impact the rate rider that would be paid by Residential Customers when the variance account is cleared. If the BCVVA is approved, EPCOR will clearly define Residential customers in the rate order as homes whose primary function is as a residence, in which natural gas is being used primarily to heat the residence and who also qualify as a Rate 1 customer.